

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2105 - SB 1983

March 18, 2011

SUMMARY OF BILL: Increases, from one to three years, the time a contractor is prohibited from submitting a bid to conduct business with the state if found to be using illegal immigrants. Requires the Chief Procurement Officer to randomly select a minimum of five percent of the total number of contracts per year to be audited for the use of illegal immigrant workers. Requires the Department of Labor and Workforce Development (DLWD) to conduct a minimum of 500 random audits of private employers per year for investigation of employment of illegal aliens. Requires DLWD to conduct an investigation of complaints against government agencies or private employers. The penalty for a first violation by a private employer is suspension of the employer's license; the penalty for a second violation occurring within three years of the first violation is permanent revocation of the employer's license and a fine of \$1,000. The penalty against a local governmental entity that continues to be in violation is loss of state shared taxes. State agencies in violation will be required to comply or be held in contempt. Requires all employers in the state to register with E-Verify no later than January 1, 2012. Requires employers to verify the employment eligibility of employees hired on or after the date of registration. Requires the Secretary of State to request from the U.S. Department of Homeland Security, a list of employers in this state registered with the E-Verify program every three months and to publish this list on the Department's website. Classifies the misclassification of an employee as an independent contractor as a Class A misdemeanor. Requires DLWD to develop a program to assist employers in the hiring process who have violated this act but retain a license to operate business in this state. Establishes an effective date of October 1, 2011.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Exceeds \$5,000/Recurring

Increase State Expenditures – \$482,000/FY11-12

\$569,000/FY12-13 and Subsequent Years

Assumptions:

- Based on information provided by DLWD, at least one percent of the 500 required investigations will result in a fine of \$1,000. A recurring increase in state revenue exceeding \$5,000 ($500 \times 1\% \times \$1,000$).

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- According to the Department of Finance and Administration, approximately 265 contracts will be audited each year for compliance with illegal immigrant employment laws.
- One additional staff person in the Chief Procurement Office will be required to conduct these audits. An increase in recurring state expenditures of \$55,319 (\$37,534 salary + \$14,060 benefits + \$3,725 operational). Based on the effective date of October 1, 2011, the increase in state expenditures for FY11-12 would be \$41,534.
- According to DLWD, an additional six inspectors, one supervising inspector, and two administrative assistants will be required to enforce the provisions of this bill and to assist employers in the hiring process.
- An increase in recurring state expenditures of \$513,692 (\$310,024 salaries + \$120,273 benefits + \$83,395 operational) for nine additional positions. Based on the effective date of October 1, 2011, the increase in FY11-12 would be \$385,269. One-time expenditures for these positions will be \$55,190.
- The total increase in state expenditures in FY11-12 will be \$481,993 (\$41,534 + \$385,269 + \$55,190).
- The total increase in expenditures in FY12-13 and subsequent years will be \$569,011 (\$55,319 + \$513,692).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/jaw